

NEWTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

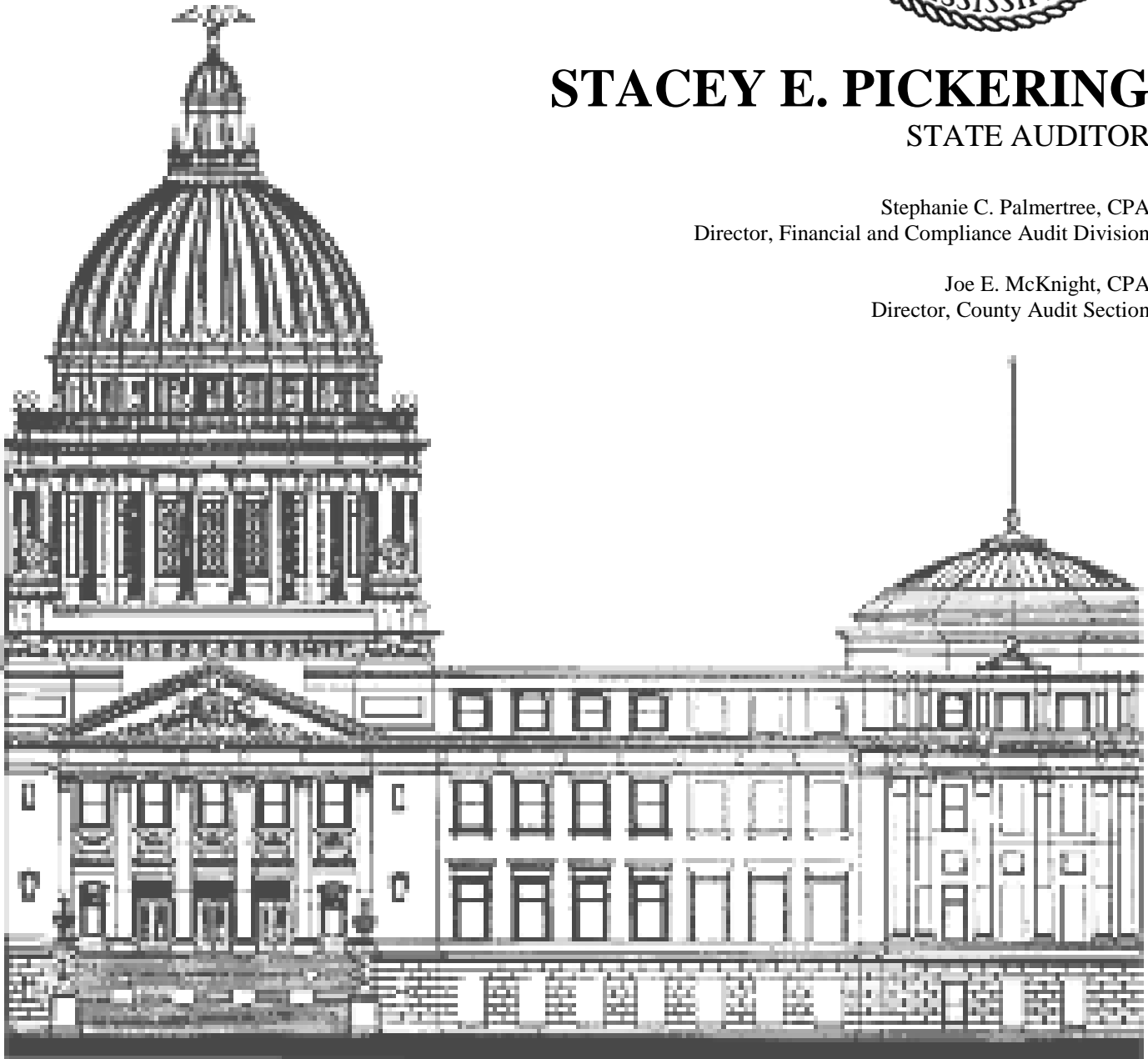


STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

August 30, 2016

Members of the Board of Supervisors
Newton County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 financial and compliance audit report for Newton County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Newton County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Newton County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

NEWTON COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Position – Cash Basis	7
Statement of Activities – Cash Basis.....	8
Statement of Cash Basis Assets and Fund Balances	9
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	10
Statement of Net Position – Cash Basis – Proprietary Fund	11
Statement of Cash Receipts, Disbursements and Changes in Net Position – Proprietary Fund	12
Statement of Fiduciary Assets and Liabilities – Cash Basis.....	13
Notes to Financial Statements	15
OTHER INFORMATION	21
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	23
Schedule of Interfund Loans and Advances	24
Schedule of Capital Assets	25
Schedule of Changes in Long-term Debt	26
Schedule of Surety Bonds for County Officials	28
Notes to the Other Information.....	31
SPECIAL REPORTS.....	33
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Independent Accountant’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	37
Limited Internal Control and Compliance Review Management Report	43
SCHEDULE OF FINDINGS AND RESPONSES	51

NEWTON COUNTY

FINANCIAL SECTION

NEWTON COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Newton County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, as of September 30, 2014, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Newton County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Other Information

The Budgetary Comparison Schedule, Schedule of Interfund Loans, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016, on our consideration of Newton County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newton County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 30, 2016

NEWTON COUNTY

FINANCIAL STATEMENTS

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY
Statement of Net Position - Cash Basis
September 30, 2014

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 3,710,220	181,120	3,891,340
Total Assets	<u>3,710,220</u>	<u>181,120</u>	<u>3,891,340</u>
NET POSITION			
Restricted:			
Expendable:			
General government	140,111		140,111
Public safety	64,484		64,484
Public works	1,248,204	181,120	1,429,324
Debt service	104,027		104,027
Unrestricted	2,153,394		2,153,394
Total Net Position	<u>\$ 3,710,220</u>	<u>181,120</u>	<u>3,891,340</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,627,151	389,171	26,688		(2,211,292)		(2,211,292)
Public safety	2,100,895	321,413	171,368	12,906	(1,595,208)		(1,595,208)
Public works	3,391,956		681,396	138,058	(2,572,502)		(2,572,502)
Health and welfare	103,807		15,751		(88,056)		(88,056)
Culture and recreation	77,290				(77,290)		(77,290)
Education	278,145				(278,145)		(278,145)
Conservation of natural resources	144,793				(144,793)		(144,793)
Economic development and assistance	53,946				(53,946)		(53,946)
Debt service:							
Principal	668,826				(668,826)		(668,826)
Interest	140,276				(140,276)		(140,276)
Total Governmental Activities	9,587,085	710,584	895,203	150,964	(7,830,334)	0	(7,830,334)
Business-type activities:							
Solid Waste	860,290	789,782				(70,508)	(70,508)
Total Business-type Activities	860,290	789,782	0	0		(70,508)	(70,508)
Total Primary Government	\$ 10,447,375	1,500,366	895,203	150,964	(7,830,334)	(70,508)	(7,900,842)
General receipts:							
Property taxes					\$ 5,818,987		5,818,987
Road & bridge privilege taxes					249,267		249,267
Grants and contributions not restricted to specific programs					668,911	30,140	699,051
Unrestricted gifts and donations					1,500		1,500
Unrestricted interest income					11,386	541	11,927
Miscellaneous					240,957	1,949	242,906
Proceeds from debt issuance					393,056		393,056
Sale of county property					160,536	6,926	167,462
Compensation for loss of county property					11,525		11,525
Total General Receipts and Other Cash Sources					7,556,125	39,556	7,595,681
Changes in Net Position					(274,209)	(30,952)	(305,161)
Net Position - Beginning					3,984,429	212,072	4,196,501
Net Position - Ending					\$ 3,710,220	181,120	3,891,340

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
 Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 September 30, 2014

Exhibit 3

	Major Fund		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
ASSETS			
Cash	\$ 2,210,784	1,499,436	3,710,220
Total Assets	<u>\$ 2,210,784</u>	<u>1,499,436</u>	<u>3,710,220</u>
FUND BALANCES			
Restricted for:			
General government	\$	140,111	140,111
Public safety		64,484	64,484
Public works		1,248,204	1,248,204
Debt service		104,027	104,027
Unassigned	2,210,784	(57,390)	2,153,394
Total Fund Balances	<u>\$ 2,210,784</u>	<u>1,499,436</u>	<u>3,710,220</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2014

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
RECEIPTS			
Property taxes	\$ 3,671,361	2,147,626	5,818,987
Road and bridge privilege taxes		249,267	249,267
Licenses, commissions and other receipts	162,391	6,805	169,196
Fines and forfeitures	242,346		242,346
Intergovernmental receipts	940,398	776,180	1,716,578
Charges for services	299,042		299,042
Interest income	7,640	3,746	11,386
Miscellaneous receipts	112,221	128,736	240,957
Total Receipts	5,435,399	3,312,360	8,747,759
DISBURSEMENTS			
General government	2,627,151		2,627,151
Public safety	2,018,336	82,559	2,100,895
Public works	300	3,391,656	3,391,956
Health and welfare	103,807		103,807
Culture and recreation	70,000	7,290	77,290
Education	278,145		278,145
Conservation of natural resources	144,793		144,793
Economic development and assistance	43,489	10,457	53,946
Debt service:			
Principal	89,103	579,723	668,826
Interest	2,854	137,422	140,276
Total Disbursements	5,377,978	4,209,107	9,587,085
Excess (Deficiency) of Receipts over Disbursements	57,421	(896,747)	(839,326)
OTHER CASH SOURCES (USES)			
Proceeds from long-term debt issuance	55,228	337,828	393,056
Sale of county property	7,258	153,278	160,536
Compensation for loss of county property	2,650	8,875	11,525
Transfers in	198,851		198,851
Transfers out		(198,851)	(198,851)
Total Other Cash Sources and Uses	263,987	301,130	565,117
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	321,408	(595,617)	(274,209)
Cash Basis Fund Balances - Beginning	1,889,376	2,095,053	3,984,429
Cash Basis Fund Balances - Ending	\$ 2,210,784	1,499,436	3,710,220

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
 Statement of Net Position - Cash Basis - Proprietary Fund
 September 30, 2014

Exhibit 5

		<u>Business-type Activities -</u> <u>Enterprise Fund</u>
		Solid Waste <u>Services Fund</u>
ASSETS		
Cash	\$	<u>181,120</u>
Total Assets		<u><u>181,120</u></u>
NET POSITION		
Restricted for:		
Public works		<u>181,120</u>
Total Net Position	\$	<u><u>181,120</u></u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 6

Statement of Cash Receipts, Disbursements and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Services Fund</u>
Operating Receipts	
Charges for services	\$ 789,782
Miscellaneous	1,949
Total Operating Receipts	<u>791,731</u>
Operating Disbursements	
Personal services	420,775
Contractual services	74,437
Materials and supplies	299,419
Indirect administrative cost	25,952
Total Operating Disbursements	<u>820,583</u>
Operating Income (Loss)	<u>(28,852)</u>
Nonoperating Receipts (Disbursements)	
Interest income	541
Intergovernmental grants	30,140
Sale of county property	6,926
Principal paid	(38,496)
Interest expense	(1,211)
Net Nonoperating Receipts (Disbursements)	<u>(2,100)</u>
Net Income (Loss)	<u>(30,952)</u>
Changes in Net Position	(30,952)
Net Position - Beginning	<u>212,072</u>
Net Position - Ending	<u>\$ 181,120</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2014

Exhibit 7

	Agency Funds
ASSETS	
Cash	\$ 65,578
Total Assets	\$ 65,578
LIABILITIES	
Amounts held in custody for others	\$ 65,578
Total Liabilities	\$ 65,578

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Newton County, Mississippi (the County), is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Newton County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general receipts of the County.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, Proprietary Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

The County reports the following major Enterprise Fund:

Solid Waste Services Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of receipts collected, disbursements paid and/or net income is necessary for management accountability.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted."

Net Position Flow Assumption:

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$3,956,918, and the bank balance was \$4,204,592. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2014:

Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 198,851

The principal purpose of interfund transfers was to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(5) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2014:

Fund	Deficit Amount
County Road Project Fund	\$ 26,143
District 4 Bond I&S Payments 2012	31,247

(6) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(7) Joint Venture.

The County participates in the following joint venture:

Newton County is participant with Kemper County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free public library service to the citizens of the respective counties. The Newton County Board of Supervisors alternately appoints two or three of the five member of the board of directors. By contractual agreement, the

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

County's contribution to the joint venture was \$70,000 in fiscal year 2014. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(8) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County contributed \$30,300 for support of the district in fiscal year 2014.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the 15 members of the board of directors. The County contributed \$13,189 for support of the district in fiscal year 2014.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the nine members of the board of commissioners. The County contributed \$29,500 for support of the commission in fiscal year 2014.

The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Newton County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. Each County provides a modest amount of financial support when matching funds are required for federal grants. The County contributed \$6,000 for support of the agency in the fiscal year 2014.

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Newton County Board of Supervisors appoints one of the 30 members of the college board of trustees. The county contributed \$397,136 for maintenance and support for the college in fiscal year 2014.

(9) Defined Benefit Pension Plan.

Plan Description. Newton County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$423,578, \$394,410 and \$345,464, respectively, equal to the required contributions for each year.

NEWTON COUNTY

OTHER INFORMATION

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 3,387,643	3,736,689	3,671,361	(65,328)
Licenses, commissions and other receipts	151,020	178,162	162,391	(15,771)
Fines and forfeitures	275,000	269,790	242,346	(27,444)
Intergovernmental receipts	974,010	1,093,616	940,398	(153,218)
Charges for services	238,200	299,042	299,042	
Interest income	13,545	7,738	7,640	(98)
Miscellaneous receipts	260,800	349,876	112,221	(237,655)
Total Receipts	<u>5,300,218</u>	<u>5,934,913</u>	<u>5,435,399</u>	<u>(499,514)</u>
DISBURSEMENTS				
Current:				
General government	2,625,796	3,499,406	2,627,151	872,255
Public safety	1,935,697	2,485,835	2,018,336	467,499
Public works	300	300	300	
Health and welfare	111,015	125,607	103,807	21,800
Culture and recreation	71,000	72,000	70,000	2,000
Education	254,400	291,323	278,145	13,178
Conservation of natural resources	147,629	162,334	144,793	17,541
Economic development and assistance	43,989	44,489	43,489	1,000
Debt service:				
Principal		97,563	89,103	8,460
Interest		2,841	2,854	(13)
Total Disbursements	<u>5,189,826</u>	<u>6,781,698</u>	<u>5,377,978</u>	<u>1,403,720</u>
Excess of Receipts over (under) Disbursements	<u>110,392</u>	<u>(846,785)</u>	<u>57,421</u>	<u>904,206</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt			55,228	55,228
Sale of county property	3,500	7,258	7,258	
Compensation for loss of county property	2,500	2,650	2,650	
Transfers in	203,148	396,542	396,247	(295)
Transfers out		(198,910)	(197,396)	1,514
Total Other Cash Sources and Uses	<u>209,148</u>	<u>207,540</u>	<u>263,987</u>	<u>56,447</u>
Net Change in Fund Balance	319,540	(639,245)	321,408	960,653
Fund Balances - Beginning	<u>1,620,713</u>	<u>1,887,774</u>	<u>1,889,376</u>	<u>1,602</u>
Fund Balances - Ending	<u>\$ 1,940,253</u>	<u>1,248,529</u>	<u>2,210,784</u>	<u>962,255</u>

The accompanying notes to the Other Information are an integral part of this schedule.

NEWTON COUNTY
 Schedule of Interfund Loans and Advances
 For the Year Ended September 30, 2014
 UNAUDITED

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2014</u>
General Fund	Solid Waste Services Fund	\$ 23,611
Solid Waste Services Fund	Other Governmental Funds	<u>41,208</u>
Total		\$ <u>64,819</u>

The receivables represent an error in posting receipts during the year and solid waste indirect costs.
 All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Balance at Sept. 30, 2014</u>
Other Governmental Funds	Other Governmental Funds	\$ <u>303,896</u>

Advances were made to provide funds for bond payments and also for operating purposes.

NEWTON COUNTY
 Schedule of Capital Assets
 For the Year Ended September 30, 2014
 UNAUDITED

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments *	Balance Sept. 30, 2014
Land	\$ 249,498				249,498
Infrastructure	1,153,854				1,153,854
Buildings	5,097,590				5,097,590
Mobile equipment	5,867,979	142,785	311,230	254,232	5,953,766
Furniture and equipment	922,561	17,246	842		938,965
Leased property under capital leases	2,367,014	393,027		(285,162)	2,474,879
Total capital assets	\$ 15,658,496	553,058	312,072	(30,930)	15,868,552

Business-type activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments *	Balance Sept. 30, 2014
Land	\$ 102,005				102,005
Buildings	49,995				49,995
Mobile equipment	969,462		107,242	113	862,333
Furniture and equipment	149,412				149,412
Leased property under capital leases	116,268				116,268
Total capital assets	\$ 1,387,142	0	107,242	113	1,280,013

*Adjustments from leased property to mobile equipment were to account for the capital leases paid off during the fiscal year 2014 audit and miscellaneous adjustments made to correctly present capital assets at the year end.

NEWTON COUNTY
 Schedule of Changes in Long-term Debt
 For the Year Ended September 30, 2014
 UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2013	Issued	Principal Payments	Balance Sept. 30, 2014
Governmental Activities:							
A. General Obligation Bonds:							
District 4 Road & Bridge Bond 2012	10/2012	10/2027	1.90/2.70%	\$ 600,000		56,500	543,500
G.O. Refunding Bond	03/2012	11/2021	2.43%	1,460,000		145,000	1,315,000
District 4 Road & Bridge Bond 2009	11/2008	10/2023	3.80%	379,000		31,000	348,000
District 1 Road & Bridge Bond 2009	11/2009	11/2025	3.90%	340,000		20,000	320,000
B. Capital Leases:							
911 Equipment	02/2013	03/2016	1.49%	95,990	-	37,958	58,032
911 Antenna	02/2013	02/2016	1.80%	17,091	-	6,982	10,109
2012 Chevy Tahoe	11/2012	11/2015	1.74%	18,018	-	9,231	8,787
2012 Dodge Ram 1500	11/2012	11/2015	1.71%	19,784	-	9,040	10,744
2011 Dodge Charger	12/2011	12/2014	2.33%	10,693	-	8,529	2,164
2012 Dodge Charger	06/2012	06/2015	1.89%	16,564	-	9,398	7,166
2014 Dodge Charger	02/2014	03/2017	1.95%		27,619	4,478	23,141
2014 Dodge Charger	03/2014	03/2017	2.00%		27,609	4,487	23,122
2012 Ambulance	06/2012	06/2017	1.65%	46,325	-	11,298	35,027
Fire Truck	02/2013	03/2019	1.49%	139,808	-	24,576	115,232
District 1 Cat 12h motor grader	02/2013	03/2017	1.49%	59,696	-	16,740	42,956
District 1 Cat 420f backhoe	08/2013	09/2018	2.09%	78,283	-	3,901	74,382
District 1 Kubota tractor	08/2013	08/2018	1.99%	39,569	-	7,738	31,831
District 2 Cat 420f backhoe	06/2013	07/2016	1.49%	37,943	-	13,209	24,734
District 3 2007 Mack truck	05/2010	05/2015	3.25%	15,857	-	15,857	-
District 3 Cat 12h motor grader	02/2013	03/2017	1.49%	59,696	-	16,740	42,956
District 3 Cat 320 DL excavator	02/2013	03/2018	1.49%	82,814	-	17,927	64,887
District 3 Cat 420f backhoe	08/2013	09/2016	1.89%	78,224	-	4,613	73,611
District 3 2013 Ford F250	03/2013	03/2014	1.49%	9,304	-	9,304	-
District 4 Cat 12h motor grader	02/2013	03/2017	1.49%	68,210	-	19,127	49,083
District 4 2004 Cat 320cl excavator	07/2009	07/2014	3.59%	13,363	-	13,363	-
District 4 2007 Mack Dump truck	02/2013	03/2017	1.49%	38,356	-	10,756	27,600
District 4 2007 Mack Dump truck	03/2013	03/2017	1.49%	37,666	-	10,562	27,104

NEWTON COUNTY
 Schedule of Changes in Long-term Debt
 For the Year Ended September 30, 2014
 UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2013	Issued	Principal Payments	Balance Sept. 30, 2014
Governmental Activities:							
B. Capital Leases:							
District 4 Cat 420f backhoe	08/2013	09/2018	2.09%	78,283	-	3,901	74,382
District 4 John Deere 6150M tractor	07/2014	07-2019	1.94%	-	101,448	1,529	99,919
District 5 Cat 420f backhoe	06/2013	07/2016	1.49%	39,835	-	13,868	25,967
District 5 motor grader	07/2009	08/2014	3.39%	112,212	-	112,212	-
District 5 Cat 12 M3 motor grader	09/2014	09/2019	1.98%		236,380		236,380
Total				\$ 3,992,584	393,056	669,824	3,715,816
Business-type Activities:							
A. Capital Leases:							
New scale system	09/2012	10/2015	1.77%	17,171	-	8,164	9,007
Cat D6K LGP dozer	04/2013	04/2016	1.49%	79,288	-	30,332	48,956
Total				\$ 96,459	-	38,496	57,963

The accompanying notes to the Other Information are an integral part of this schedule

NEWTON COUNTY
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2014
 UNAUDITED

Name	Position	Company	Bond
Kenneth Harris	Supervisor District 1	Western Surety Company	\$100,000
Joe Alexander	Supervisor District 2	Travelers Casualty & Surety of America	\$100,000
Charles Moulds	Supervisor District 3	Travelers Casualty & Surety of America	\$100,000
Luther M. (Bubba) Bonds	Supervisor District 4	Travelers Casualty & Surety of America	\$100,000
Jimmy Johnson	Supervisor District 5	Travelers Casualty & Surety of America	\$100,000
Steve Seale	County Administrator	Travelers Casualty & Surety of America	\$100,000
George Hayes	Chancery Clerk	Travelers Casualty & Surety of America	\$100,000
Stephanie McMullan	Purchase Clerk	Brierfield Insurance Company	\$75,000
Pam Upton	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Deborah Parker	Receiving Clerk	Brierfield Insurance Company	\$75,000
(15) Clerks	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Latoya L. Brown	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
George Hayes	Inventory Control Clerk	Brierfield Insurance Company	\$75,000
Mark Spence	Constable	Travelers Casualty & Surety of America	\$50,000
William D. Collins	Constable	Travelers Casualty & Surety of America	\$50,000
Michael Butler	Circuit Clerk	Travelers Casualty & Surety of America	\$100,000
Donna Hutchins	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Jackie Knight	Sheriff	Travelers Casualty & Surety of America	\$100,000
Oscar Greg Morgan	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Cecil Gressett	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Benjamin Kelly	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Peter Pierman	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Jeremy Pinson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Kris Edward Hollingsworth	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Randy L. Patrick	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Joedy Pennington	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Brian Kelly	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Toby Pinson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Lowell Shinn	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Freddie Gentry	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Luke Castillo	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Sammy Stevens	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000

NEWTON COUNTY
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2014
 UNAUDITED

Name	Position	Company	Bond
Jan Addy	Justice Court Judge	Travelers Casualty & Surety of America	\$50,000
Mark McDonald	Justice Court Judge	Travelers Casualty & Surety of America	\$50,000
Sue Graham	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Lolita Jordan	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
May Bender	Tax Assessor-Collector	Travelers Casualty & Surety of America	\$100,000
(4) Clerks	Deputy Tax Collector	CNA Surety	\$50,000

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY

Notes to the Other Information For the Year Ended September 30, 2014 UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General.

(2) Long-term Debt information:

A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2014, the amount of outstanding debt was equal to 2.19% of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2014, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/08/2014	1.94%	\$ 322,800	Capital lease	Ad valorem taxes
02/02/2015	1.94%	126,930	Capital lease	Ad valorem taxes
03/02/2015	1.84%	28,972	Capital lease	Ad valorem taxes
03/02/2015	1.84%	28,972	Capital lease	Ad valorem taxes
03/02/2015	1.94%	30,845	Capital lease	Ad valorem taxes
03/02/2015	1.92%	109,049	Capital lease	Ad valorem taxes
03/02/2015	1.94%	109,030	Capital lease	Ad valorem taxes
05/04/2015	1.60%	25,000	Capital lease	Ad valorem taxes
06/01/2015	1.89%	118,228	Capital lease	Ad valorem taxes
06/01/2015	1.79%	48,900	Capital lease	Ad valorem taxes
10/05/2015	1.85%	98,854	Capital lease	Ad valorem taxes
01/04/2016	1.64%	34,810	Capital lease	Ad valorem taxes
01/04/2016	1.89%	229,228	Capital lease	Ad valorem taxes
08/18/2016	1.70%	79,950	Capital lease	Ad valorem taxes
08/18/2016	1.79%	64,644	Capital lease	Ad valorem taxes

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY

SPECIAL REPORTS

NEWTON COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Newton County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newton County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newton County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2014-001.

We also noted certain matters which we have reported to the management of Newton County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated August 30, 2016, included within this document.

Newton County's Responses to Findings

Newton County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Newton County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" being the most prominent part.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 30, 2016



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Newton County, Mississippi

We have examined Newton County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Newton County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Newton County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

1. Controls over capital assets should be strengthened.

Finding

An effective system of internal control over capital assets ensures that capital assets are reported in the correct categories at the correct amounts. As reported in the prior five years' audit reports, weak internal controls existed over capital assets. We noted that the beginning balances on the capital asset listing provided by the Inventory Clerk for Governmental Activities did not agree to the prior year ending amounts included in the audit report.

The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should ensure that all capital asset additions and deletions are accurately managed each year.

Inventory Control Clerk's Response

Capital asset beginning balances for Newton County inventory have not matched the State Audit Department for some time, because the ending balances from prior year audits have not been adjusted to match the County's balance or vice versa. There will continue to be a discrepancy in the Beginning State balances and the County inventory balances until either the County or the State adjusts their figures to match the other.

I will continue to work toward having the State beginning balance and the County beginning inventory balance to match.

One problem is that as in this year's audit the auditors are using 2014 beginning figures for inventory. These problems may have been cleared up during the 2015 inventory cycle. I would suggest that the state audit department would inventory the current year rather than older years as the inventory clerk can make no changes to old inventory after October 1, of each year and would not be able to correct problems for the year being audited unless it were within the current physical year.

I would suggest again that State or the County be allowed to adjust the ending figures for one time to have beginning balance with the State and County that matches.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Newton County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Newton County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Newton County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 30, 2016

NEWTON COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
02/26/2014	#7 Limestone	\$ 26.13	John E. Smith	\$ 25.40	Supervisor preferred John E. Smith because Vulcan would not load trucks full
03/20/2014	CRS-2	2.19	Ergon	2.15	Due to past experience with Blackledge

NEWTON COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2014

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
08/06/2014	Bridge Signs	\$ 239.16	CPC	State Aid Engineer ordered bridge on Stratton Road closed until repaired or replaced
08/08/2014	Material to build barricade	67.40	M&M	State Aid Engineer ordered bridge on Stratton Road closed until repaired or replaced
08/12/2014	Bridge signs tape	525.30	CPC	State Aid Engineer ordered bridge on Stratton Road closed until repaired or replaced
08/15/2014	Replace bridge on Stratton Road	82,500.00	Joe McGee Construction	State Aid Engineer ordered bridge on Stratton Road closed until repaired or replaced
08/18/2014	4x4 8ft used as forks	84.00	M&M	State Aid Engineer ordered bridge on Stratton Road closed until repaired or replaced

NEWTON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
09/03/2014	New Control Panel	\$ 13,139.50	Automation Displays Inc.

NEWTON COUNTY

(This page left blank intentionally.)



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Newton County, Mississippi

In planning and performing our audit of the financial statements of Newton County, Mississippi (the County) for the year ended September 30, 2014, we considered Newton County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Newton County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 30, 2016, on the financial statements of Newton County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Interfund transfers were not approved by the Board of Supervisors.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for all proceedings of the Board of Supervisors. Interfund transfers were made without board orders spread on the minutes. The failure to obtain board approval for interfund transfers could result in erroneous amounts reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should spread complete order on the minutes relative to interfund transfers.

Board of Supervisors' Response

This was an oversight. It will be corrected.

2. The Board of Supervisors should ensure that all taxpayers and industries are taxed appropriately.

Finding

Section 17-21-51, Miss. Code Ann. (1972), authorizes the Board of Supervisors to issue county bonds for any purpose for which they are otherwise authorized by law to issue bonds, such as the maintenance of County roads. For this purpose during the fiscal year 2013-2014, the Board of Supervisors approved a levy for the repayment of the 2012 Beat 4 Road bonds; however, our audit procedures revealed that an industry in this beat of the County was not taxed for this particular levy. This resulted in a shortage of taxes collected in the amount of \$8,470.28.

Recommendation

The Board of Supervisors should ensure that all taxpayers and industries are taxed the appropriate amounts and contact this industry for payment of these taxes.

Board of Supervisors' Response

This has been corrected.

3. PERS Retiree should not be paid more than allowable salary per Form 4B or 9C.

Finding

Section 25-11-127(4)(b), Miss. Code Ann. (1972), requires a retiree to earn not in excess of twenty-five percent (25%) of retiree's average compensation. During our test work, we noted that a PERS retiree was paid \$840 more than the allowable twenty-five percent (25%) of retiree's average compensation during fiscal year 2014. By overpaying PERS retirees, the County is not in compliance with state legal requirements.

Recommendation

The County should ensure that PERS retirees are not being paid more than the allowable amount per the PERS Form 4B or 9C.

Board of Supervisors' Response

PERS retirees sign a form every year acknowledging the maximum compensation he/she may receive. The payroll clerk, at the request of the Board of Supervisors, tracks the compensation of non-elected employees/retirees. The finding is on an elected retiree.

4. The County Should Perform a Network Security Assessment

Finding

Factors noted during the Information Technology General Control (ITGC) assessment at the county indicate a network assessment is warranted.

Best business practices as well as standards for information technology provide various guidelines for frequency and criteria for performing network reviews. The Mississippi Enterprise Security Policy requires network reviews be performed, at minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets. Examples of such change criteria would be:

- A major change in the network topology
- Implementation of new financial applications
- Length of time since the last network review

- Recent network penetration or malware infection (and possible data loss) due to the activity of unauthorized parties
- Changes in support levels for hardware and software
- Lack of security event monitoring
- Insufficient anti-virus

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems. Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment. Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

Recommendation

It is recommended that the county perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data assets should be considered when determining the exact scope of the network review to be performed. This review should consist of risk assessments, vulnerability scans and penetration tests. These type tests should be conducted by qualified personnel that specialize in such assessments.

Board of Supervisors' Response

This is already being done by Three Rivers PDD.

5. The County Should Implement a Formal Information Security Policy

Finding

The County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity I Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the county, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the county create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by county supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

For further clarification, simply saying that passwords need to be strong is not sufficient. In this case, the policy should state that passwords should be at least 8 characters for normal users and 13 characters for those users that have elevated privileges. In addition, complexity requiring numbers and special characters should also be specified.

Board of Supervisors' Response

This is being done by Three Rivers PDD.

6. The County Should Establish and Test a Disaster Recovery Process

Finding

During our review of the information systems controls of the county, we noted that the county has not established a disaster recovery process. As a result, the county cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the county's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the county and its processes should a catastrophic event occur involving the county's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the county develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the county develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

This has already been completed. The County does not have an AS400 on site. We are part of the mirrored system operated by Three Rivers PDD.

7. The County Should Perform Periodic Logical Access Reviews

Finding

We noted during our review, that the county does not have a formal process for removing logical access for terminated employees. We also noted that the county does not periodically review the levels of access that active users have and determine if the access is appropriate.

Recommendation

We recommend that the county implement a periodic review of logical access for all individual users.

Board of Supervisors' Response

This is being done by Three Rivers PDD.

8. The County should expire all individual passwords on a periodic basis.

Finding

A review of the County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

Recommendation

We recommend that a policy be implemented to insure that passwords are expired on a regular basis. In addition, the county should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

This is already being done by Three Rivers PDD.

9. The County should strengthen passwords.

Finding

We noted during our review that the county is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for county information assets.

Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated.

Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommend that the county improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

Board of Supervisors' Response

This is already being done. Changes were made by Three Rivers PDD.

Board of Supervisors and Assistant Receiving Clerks.

10. Assistant Receiving Clerks should be bonded individually.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Receiving Clerk to execute a bond for \$50,000 to be payable. The Assistant Receiving Clerks were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Assistant Receiving Clerk could result in the loss or misappropriation of public funds.

Recommendation

The Assistant Receiving Clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors' and Assistant Receiving Clerks' Response

This will be corrected.

Board of Supervisors and Tax Assessor/Collector.

11. Deputy Tax Collectors should be bonded individually.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), requires each Deputy Tax Collector to execute a bond for \$50,000 to be payable. The Deputy Tax Collectors were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Deputy Tax Collector could result in the loss or misappropriation of public funds.

Recommendation

The Deputy Tax Collectors' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors' and Tax Assessor/Collector's Response

This will be corrected.

12. Deputy Tax Assessors should be bonded.

Finding

Section 27-1-3, Miss. Code Ann. (1972), requires each Deputy Tax Assessor to execute a bond for \$10,000 to be payable. The Deputy Tax Assessors were not bonded during the fiscal year ending September 30, 2014. Failure to execute a bond for each Deputy Tax Assessor could result in the loss or misappropriation of public funds.

Recommendation

A bond should be executed for each Deputy Tax Assessor as required by law.

Board of Supervisors' and Tax Assessor/Collector's Response

This will be corrected.

Tax Assessor/Collector.

13. Controls over motor vehicle receipts should be strengthened.

Finding

An effective system of internal controls should include an adequate verification of taxpayer addresses. As reported in the prior two years' audit report, during our test work performed in the Tax Collector's Office we noted eight (8) instances revealing incorrect tax districts for the addresses listed on motor vehicle receipts and four (4) instances noted of people getting their tags from an address other than where they claim homestead. Weak internal controls as well as incorrect information on taxpayer receipts could lead to loss of public funds.

Recommendation

The Tax Collector should take steps to ensure that there are proper controls put in place for all vehicle information to be listed properly on receipts to taxpayers.

Tax Assessor/Collector's Response

Working to improve the incorrect tax districts not sure what is meant by missing information all the information is on tax receipt given to the tax payer.

Newton County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 30, 2016

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiency identified? | None Reported |
| 3. | Noncompliance material to financial statements noted? | Yes |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Material Non-compliance

2014-001. Warrants should not be signed without sufficient money in the funds.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior six years' audit reports, warrants were issued on funds which did not have sufficient money available. At September 30, 2014, the Countywide Road Fund had a negative cash balance of \$26,143 and the Beat 4 Bond I&S Payments 2012 fund had a negative cash balance of \$31,247. Failure to maintain sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the funds upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

The Countywide Road Fund is at a deficit because of a disagreement over liquid emulsions used in Beat two. There is also a timing difference in when the County bills the cities for liquid emulsions and when the cities pay the County. The Beat 4 Bond I&S Payment 2012 has a debt payment that is due before tax revenue is received. This will be corrected.